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**REPORT AND ACCOUNTS 1966
THE GOVERNOR AND COMPANY
OF ADVENTURERS OF ENGLAND
TRADING INTO HUDSON'S BAY
297th ANNUAL GENERAL COURT**

Notice of Meeting

1. The 297th ANNUAL GENERAL COURT of the Governor and Company of Adventurers of England trading into Hudson's Bay will be held at Beaver Hall, Garlick Hill, London, E.C.4, on the 20th May, 1966 at 11.45 a.m., to receive the Accounts for the year ended 31st January, 1966, together with a report from the Board.

2. Resolutions will be proposed at the Court:

(a) For payment on 27th May, 1966, of a final dividend for the year ended 31st January, 1966 at the rate of 10½% to Proprietors registered as Shareholders on 18th April, 1966. **(Resolution No. 1)**

(b) To approve and adopt the Report, Balance Sheet and Profit and Loss Account for the year ended 31st January, 1966, including the Group Accounts. **(Resolution No. 2)**

3. Directors retiring by rotation and proposed for re-election as members of the Board are:—

E. O. FAULKNER, M.B.E. **(Resolution No. 3)**

D. E. KILGOUR (Chairman Canadian Committee) **(Resolution No. 4)**

J. G. LINKS, O.B.E. **(Resolution No. 5)**

J. BARTLETT MORGAN **(Resolution No. 6)**

GRAHAM F. TOWERS, C.M.G. **(Resolution No. 7)**

4. Messrs. PEAT, MARWICK, MITCHELL & CO. having notified the Company that they are willing to continue as Auditors, a Resolution will be proposed at the Court to fix their fee. **(Resolution No. 8)**

5. Transfer books will be closed from 19th April to 3rd May, 1966, inclusive.

BEAVER HOUSE,
GREAT TRINITY LANE,
LONDON, E.C.4.
23rd April, 1966

By Order of the Board
R. A. REYNOLDS
Secretary

Hudson's Bay Company

INCORPORATED 2ND MAY 1670

REPORT AND ACCOUNTS

TO BE LAID BEFORE THE PROPRIETORS AT THE
297th ANNUAL GENERAL COURT AT BEAVER HALL,
GARLICK HILL, LONDON, E.C.4, ON FRIDAY 20th
MAY, 1966, at 11:45 A.M.

This Canadian dollar version of the Report and Accounts has been prepared for the convenience of Proprietors resident in North America. It is identical in all respects with the original sterling accounts to be laid before the Proprietors at the 297th Annual General Court except that sterling figures have been converted to Canadian dollars at \$3.00 to the £. Proprietors wishing to obtain a copy of the sterling Report and Accounts should write to The Secretary, Canadian Committee, Hudson's Bay House, 79 Main Street, Winnipeg 1, Manitoba.

Board

THE RT. HON. VISCOUNT AMORY, P.C., G.C.M.G., T.D., D.L.
Governor

T. NORBERT BEAUPRÉ

THE RT. HON. LORD COBBOLD, P.C., G.C.V.O.

J. E. H. COLLINS, M.B.E., D.S.C.

E. O. FAULKNER, M.B.E.

G. R. HUNTER, O.C.

W. J. KESWICK

D. E. KILGOUR
Chairman Canadian Committee

J. G. LINKS, O.B.E.

J. BARTLETT MORGAN

J. R. MURRAY
Managing Director

I. P. R. NAPIER, M.C.

JAMES A. RICHARDSON

R. E. SHEEN
Deputy Managing Director

C. GORDON SMITH

H. W. SUTHERLAND
Deputy Managing Director

GRAHAM F. TOWERS, C.M.G.

Consolidated Financial Summary

HUDSON'S BAY COMPANY YEARS ENDED 31ST JANUARY

	1966	1965
	\$	\$
Sales	370,611,000	347,382,000
Profit before taxes	23,157,000	21,018,000
Taxation on profits	10,848,000	9,741,000
Net profit	12,309,000	11,277,000
Cost of dividends	6,420,000	3,633,000
<i>Distribution, land account</i>	—	1,320,000
Estimated overspill relief	1,110,000	—
Fixed assets and trade investments	82,149,000	74,403,000
Net current assets	94,677,000	80,916,000
Total assets	176,826,000	155,319,000

OPERATING RESULTS BEFORE TAXES

Retail	—Sales	307,626,000	287,526,000
	Profit	16,428,000	15,405,000
Fur	—Sales and consignments	116,010,000	103,494,000
	Profit	1,884,000	1,392,000
Wholesale	—Sales	56,121,000	51,630,000
	Profit	1,371,000	1,014,000
Royalties		1,827,000	1,764,000
Investment income		1,647,000	1,443,000

Notes: ¹Rates of exchange for the conversion of £ and U.S. dollar currencies in both years were Can. \$3.00 to the £ and Can. \$1.07 to U.S. \$1.00.

²The cost of this year's dividends is made up of the net interim and gross final dividends.

Report to Proprietors

The results of the year's operations record satisfactory progress in every department of the Company's activities. Profit from all major sources of income—retail, fur, wholesale, royalties and trade investments—increased.

Staff

The Board wishes once again to put on record its deep appreciation of the services of our Staff, now numbering 14,000. Our Company is fortunate indeed in the calibre of its Staff and in the spirit that actuates all those who are responsible at every level of its many-sided activities. The Board is confident that everyone, whatever his or her role in our operations, finds satisfaction in the continued progress of our Company, with its long and honourable record of service to Canada.

Proprietors will be interested to know that during the year the Company introduced a contributory group life, accident and long term disability scheme for the Canadian Staff. At the same time changes were made in the contributory Pension Plan to integrate it with the new Canada Pension Plan recently introduced by the Canadian Government.

We express to our Staff our sincere gratitude and appreciation for their efforts.

Accounts

Profit

The net profit before tax for the year under review amounted to \$23,157,000 compared with \$21,018,000 for the previous year. Net profit after tax was \$12,309,000 or 91¢ per share, compared with \$11,277,000 last year.

Sales

Total sales (excluding fur consignments) rose by 6.7% to \$370,611,000. In addition, fur consignment sales recorded a 14% increase to \$109,146,000.

Dividends and Taxation

In May last year the land account distributions were terminated by an additional payment of $\frac{3}{4}\%$ being added to the normal distribution. At the same time Proprietors were told that the Board hoped the normal land account distribution would be replaced by an appropriate increase in the trading dividend, provided taxation permitted.

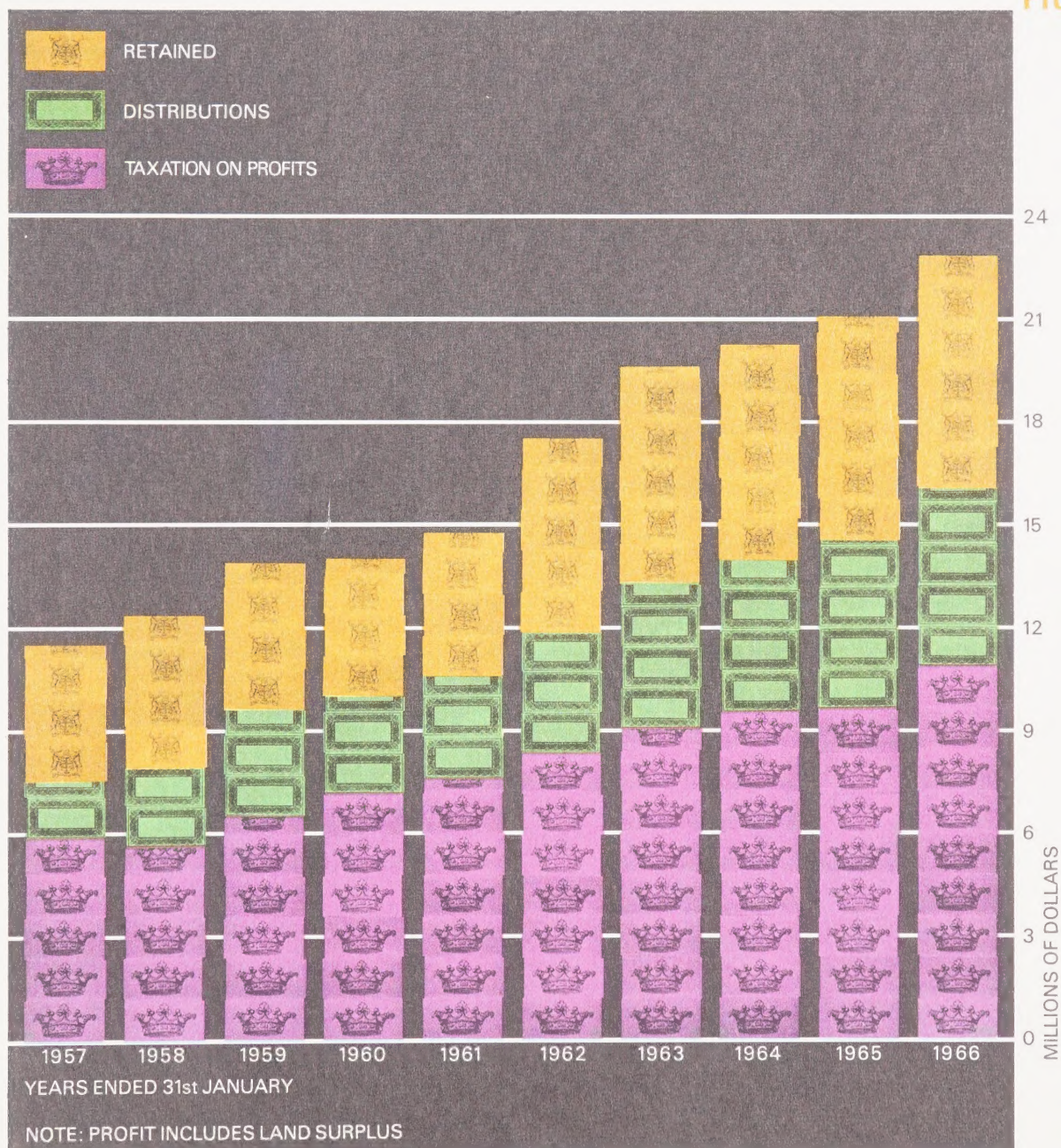
The Company paid an interim trading dividend of 9% in November, 1965. The Board now proposes that the final dividend to be paid in May, 1966, shall be at the rate of $10\frac{1}{2}\%$, making a total of $19\frac{1}{2}\%$ for the year. This compares with a 15% trading dividend and a $3\frac{1}{4}\%$ land distribution (including the special payment of $\frac{3}{4}\%$) last year.

The United Kingdom Finance Act, 1965, introduced a new system of taxation which imposed a Corporation Tax on company profits and a withholding tax on dividends payable after April, 1966. After that date the Company will have to pay to the Inland Revenue all income tax withheld from dividends. The Act also abolishes Overseas Trade Corporations as from April, 1966, a status that the Company has held since December, 1957.

The Act, however, provides some temporary relief from the additional tax burden by a system of overspill allowances with the object of relieving companies who pay overseas taxation to an amount in excess of the commitment for Corporation Tax. This temporary relief is to be reduced after three years and extinguished after seven years.

At the date of this Report the rate of Corporation Tax has not been announced, and it is therefore impossible to calculate the precise extent to which the Company will benefit from this relief. However, for the purposes of this year's accounts a rate of 40% has been used, that being the highest rate in the bracket foreshadowed in last year's Budget Statement.

Profit



The Chancellor of the Exchequer has stated that a rate of 35%, together with income tax payable on dividends, would raise the same aggregate amount of revenue as the rate of income and profits tax prevailing before the introduction of Corporation Tax. The Board, therefore, can only hope that in fact this lower rate will be applied.

It is unfortunately necessary to repeat the warning given at last year's General Court that, as benefits accruing from the temporary relief taper off, the new taxation measures will impose a grievous additional burden on the Company and its Proprietors.

Balance Sheet

Fixed Assets

At the year end net fixed assets were \$71,841,000 an increase of \$7,746,000. Capital expenditure during the year was \$9,519,000 on land and buildings and \$3,630,000 on equipment and transport. As in the previous year, the largest project in the capital programme was in connection with the expansion and modernisation of the Morgan's downtown store in Montreal.

Bonds

A newly incorporated wholly-owned Canadian subsidiary, Hudson's Bay Company Properties Limited, issued \$15 million 5¾% 25-year First Mortgage Bonds at par to institutional investors in Canada in May 1965. The proceeds will be used to finance the Company's continuing growth.

Provision for Staff Retirement

The reduction in this provision by \$747,000 represents further past service funding of the Company's Pension Plans. The balance in the provision for Staff Retirement, after making allowance for taxation, is expected to be adequate to cover the remaining funding.

Trading

A high level of economic activity in Canada continued to prevail throughout 1965 with some inflationary tendencies becoming apparent in the latter half of the year. The gross national product rose by 9% of which 6% represented growth in real terms. Employment, consumer spending and exports all reached new record levels.

Source and Use of Funds

	Year to 31st January	
	1966	1965
	\$	\$
SOURCES OF FUNDS		
Profits after tax (including land surplus)	12,405,000	11,388,000
Depreciation	5,166,000	5,115,000
Overspill tax relief	1,110,000	—
Increase in bonds	15,000,000	—
	\$33,681,000	\$16,503,000
USES OF FUNDS		
Net additions to fixed assets	12,912,000	7,452,000
Redemption of bonds	558,000	396,000
Cost of dividends	6,420,000	4,953,000
Increase (decrease) in cash	19,548,000	(6,708,000)
Increase (decrease) in other net current assets	(5,757,000)	10,410,000
	\$33,681,000	\$16,503,000

Note: £ at Can. \$3.00 and U.S. \$ at Can. \$1.07.

Department Stores

In general the Company's department stores did well. Western stores were particularly buoyant with Vancouver leading the way. In Montreal, major construction projects, both within the Store and on adjacent properties, including Montreal's new underground railway, created difficult conditions for customers and staff alike. Most of these projects, including the underground railway will be completed during 1966 in time for the opening of the Montreal World's Fair, and an improvement in trading conditions can be expected in the following years.

Plans were completed during the year for a new \$6,000,000 store and Parkade in Regina. It is hoped that this important new major unit will be opened early in 1968.

During the year a \$2,300,000 expansion programme for Prince George, B.C., was adopted. When completed, this store, in British Columbia's fastest growing community, will comprise 103,000 sq. ft. and a 200-car Parkade.

Other important additions to store facilities included a third deck on the Victoria Store Parkade, increasing capacity to 700 cars, and a 15,000 sq. ft. store extension at Trail, B.C.

The Company's stores in Western Canada have been familiarly referred to by customers as "The Bay" for many years. A new contemporary design for this name was introduced during the year. It will be used on store signs, in advertising and on packaging materials, stationery and vehicles. The familiar Hudson's Bay Company name in the traditional old English font will, however, be retained for corporate purposes and for secondary identification in the stores.

Northern Stores

Merchandise sales and profits of Northern Stores continued to increase. The most significant development in this group in recent years has been the growth in average store size. Northern Stores now includes 212 units of which 76 are in the minor department store category and 136 are small stores in isolated communities.

Within the Northern Stores, the largest single building project during the year was an extension at Sept Iles, Quebec. New small stores were opened at St. Paul's River and Wakeham Bay, Quebec, and Kashechewan and Wunnummin Lake, Ontario. In addition, 6 older units were replaced and a further 12 stores were increased in size.

Fur

The grading and selling services provided by the Company's Auction Houses continued to find favour among producers and shippers of ranch-raised furs, primarily mink and Persian lamb. As a result, record quantities of ranched mink were handled in London, New York and Montreal at firm or higher prices in spite of the increased numbers. The total crop of Persian lamb was about the same in size but commanded much higher prices. All three sections of the fur-selling organisation, therefore, produced better results than last year, London and Montreal achieving record profits.

Profits from the Company's own collection of wild furs also recovered slightly although still falling short of the unusually high levels of 1962 and 1963.

Taken as a whole, the profits arising from the fur operation were very much better than last year and, with the opening of the new raw fur season at the end of 1965, prices of almost all furs began to increase sharply. However, this is a volatile trade and one in which forecasts of future trends are difficult and apt to be unreliable.

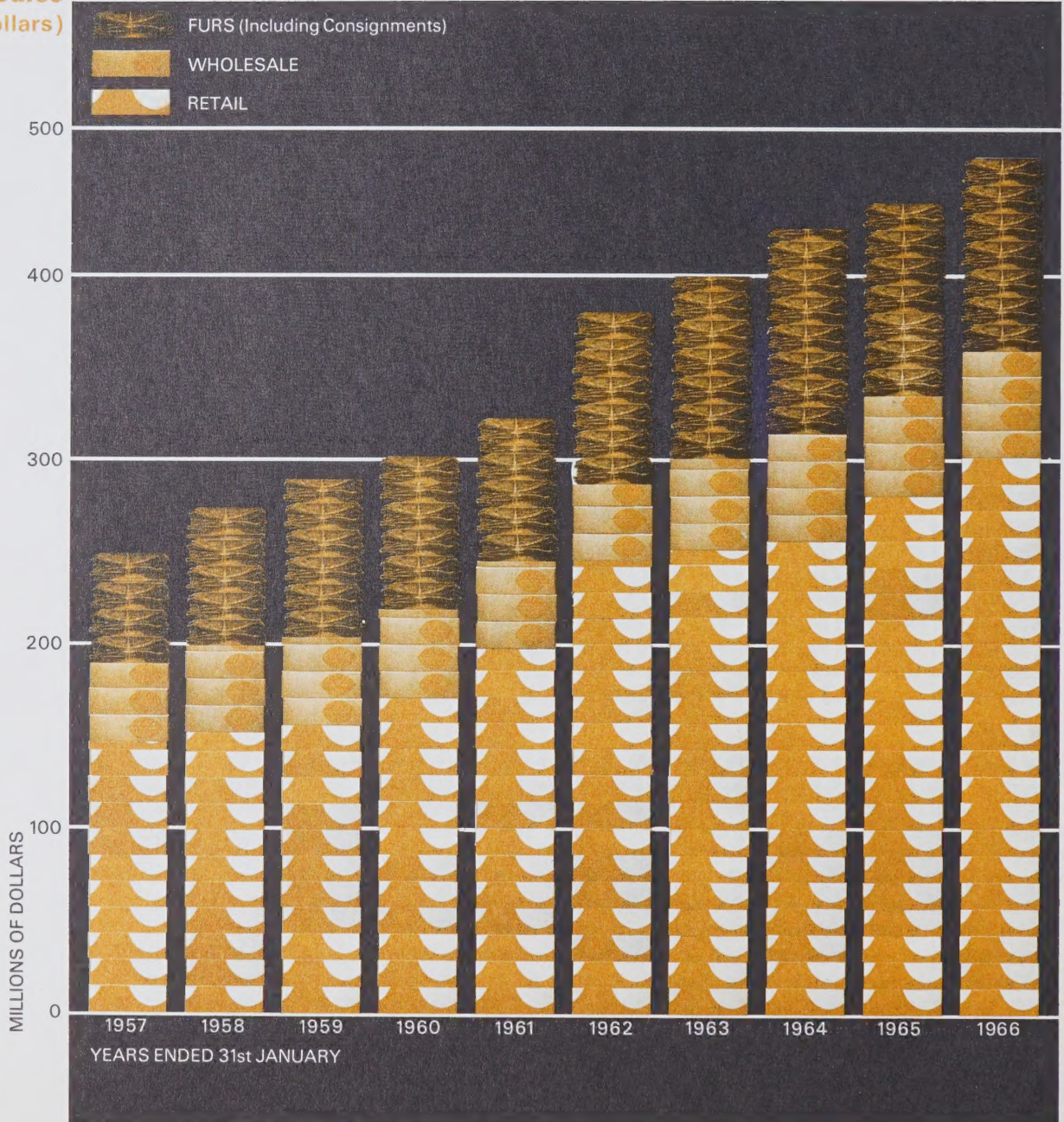
Wholesale

The Wholesale Department achieved a further encouraging improvement in both sales and profits. This resulted both from tobacco sales, where market conditions in Canada have become somewhat

https://archive.org/details/Huds1478_1966

Sales

(In Canadian Dollars)



more stabilised than in the late 1950's, and from the sales of wines and spirits where Company products have achieved wider acceptance.

Oil

Hudson's Bay Oil and Gas Company Limited, owned 21.9% by Hudson's Bay Company, had another year of profitable growth and expansion in 1965. Net earnings and net cash income from operations were again a record reflecting higher levels of production of crude oil, natural gas liquids and sulphur. Expenditures on exploration were greater than in any previous year and the Company's recoverable reserve of hydrocarbons reached a new peak.

Net earnings for 1965 were \$15,355,000 an increase of 11.2% over the previous year. In consequence the annual dividend was raised from 35¢ to 40¢ a share, as a result of which Hudson's Bay Company received \$1,603,000 compared with \$1,403,000 the year before.

Production of crude oil and natural gas liquids averaged 38,890 barrels per day, 2% higher than in 1964; and sales of natural gas averaged 138.2 million cubic feet per day, a gain of 18.5%. Sulphur sales averaged 343 long tons per day, an increase of 40%.

Expenditures for finding and developing resources increased by 13.2% to \$31,489,000. Additions to reserves once again exceeded withdrawals.

Mr. W. J. Keswick, after more than 12 years' service in that capacity, retired as Governor at last year's Annual Court. The period of Mr. Keswick's Governorship comprised an era of impressive growth in the Company's prosperity for which much credit is due to his wise leadership. His willingness to continue as a member of the Board afforded much pleasure to his colleagues.

On behalf of the Board,

AMORY

Governor

22nd March, 1966.

Long used by customers in referring to Company stores, the name—The Bay—has been redesigned for use on trucks, gift boxes, shopping bags and store signs. The Morgan's name, seen on the Christmas shopping bag to the left, has also been redesigned in a similar graphic style.





This is a model of the new department store now under construction in Regina, the capital of Saskatchewan. On completion early in 1968, the Company will have major downtown stores with adjacent customer parking facilities in each of the seven largest cities in Western Canada.



In addition to its widely distributed Hudson's Bay "Point" blankets, whiskies and rums, the Company has developed an extensive programme of private brand merchandise, sold exclusively in its stores. All items shown here carry Company labels or brand names such as "Lady Hudson," "Hudson Manor" and "Baycrest."





Consolidated Balance Sheet

HUDSON'S BAY COMPANY AND SUBSIDIARIES 31ST JANUARY, 1966

	1966		1965	
	\$	\$	\$	\$
CURRENT ASSETS				
Cash on hand and in bank	9,555,000		2,493,000	
Short term securities at market value	10,749,000		1,299,000	
Accounts receivable	72,861,000		70,500,000	
Merchandise inventories (Note 6)	47,058,000		46,176,000	
Northern Stores (Note 7)	7,641,000	147,864,000	7,794,000	128,262,000
TRADE INVESTMENTS at cost (Note 5)				
Hudson's Bay Oil and Gas Co. Ltd.	10,095,000		10,095,000	
Other	213,000	10,308,000	213,000	10,308,000
FIXED ASSETS (Note 4)				
Land and buildings	61,536,000		54,117,000	
Equipment and transport	10,305,000	71,841,000	9,978,000	64,095,000
AMORY				
W. J. KESWICK				
Directors				
		\$230,013,000		\$202,665,000

	1966		1965	
	\$	\$	\$	\$
CURRENT LIABILITIES				
Bank overdrafts	1,443,000		4,479,000	
Accounts payable and accrued expenses	37,089,000		27,768,000	
Income taxes payable (Note 3)	4,650,000		5,415,000	
Proposed dividends	4,269,000	47,451,000	3,201,000	40,863,000
STAFF RETIREMENT		5,736,000		6,483,000
BONDS AND DEBENTURES OF SUBSIDIARIES (Note 2)		37,719,000		23,277,000
SHAREHOLDERS' EQUITY				
CAPITAL STOCK:				
Authorized—£15,000,000				
Issued—13,553,428 ordinary shares of £1 each				
	40,659,000		40,659,000	
CAPITAL RESERVES:				
General	15,258,000		15,288,000	
REVENUE RESERVES:				
Earned surplus	83,037,000		76,038,000	
Land account	153,000	139,107,000	57,000	132,042,000
		\$230,013,000		\$202,665,000

**Consolidated
Profit and Loss
Account**

**HUDSON'S BAY COMPANY AND SUBSIDIARIES
FOR YEAR ENDED 31ST JANUARY, 1966**

	1966		1965	
	\$	\$	\$	\$
CONSOLIDATED PROFIT after charging, and crediting income from, the following items:		23,157,000		21,018,000
	1966	1965		
	\$	\$		
Depreciation (Note 8)	5,166,000	5,115,000		
Interest on bonds and debentures	1,842,000	1,329,000		
Net short term interest	120,000	630,000		
Directors' emolu- ments (Note 9)	366,000	309,000		
Trade investments	1,647,000	1,443,000		
Royalties	1,827,000	1,764,000		
TAXATION ON CURRENT PROFITS				
Canadian and U.S. taxes	10,542,000		9,600,000	
U.K. income tax	1,521,000		2,607,000	
U.K. corporation tax	294,000		—	
	12,357,000		12,207,000	
Less estimated double taxation relief	1,509,000	10,848,000	2,466,000	9,741,000
PROFIT AFTER INCOME TAXES		\$12,309,000		\$11,277,000
APPROPRIATION OF PROFIT				
Parent Company				
Interim dividend (gross)	3,660,000		2,034,000	
Proposed final dividend (gross)	4,269,000	7,929,000	4,065,000	6,099,000
Less tax deducted from dividends and retained (Note 3)		1,509,000		2,466,000
		6,420,000		3,633,000
Less estimated overspill relief (Note 3)		1,110,000		—
		5,310,000		3,633,000
Increase in earned surplus		1,869,000		3,426,000
		7,179,000		7,059,000
Subsidiaries				
Increase in earned surplus		5,130,000		4,218,000
		\$12,309,000		\$11,277,000

Land Account

HUDSON'S BAY COMPANY FOR YEAR ENDED 31ST JANUARY, 1966

	1966	1965
	\$	\$
Surplus, at beginning of year	57,000	1,266,000
Net surplus for year	96,000	111,000
	153,000	1,377,000
<i>Interim distribution</i>	—	507,000
<i>Proposed final distribution</i>	—	813,000
Surplus, at end of year	\$153,000	\$ 57,000

We have audited the annexed Balance Sheet and have obtained all the information and explanations which we considered necessary. Proper books have been kept and proper returns received from branches and the Balance Sheet is in agreement therewith.

Report of the Auditors to the Proprietors

We have examined the annexed Consolidated Balance Sheet and Consolidated Profit and Loss Account.

In our opinion the Balance Sheet and the Consolidated Accounts comply with the requirements of the Companies Act, 1948 and together with the notes thereon give respectively a true and fair view of the state of the Company's affairs at 31st January, 1966, and a true and fair view of the state of affairs and of the profit of the Group.

11, Ironmonger Lane,
London, E.C.2.

Peat, Marwick, Mitchell & Co.
Chartered Accountants

22nd March, 1966

Balance Sheet

HUDSON'S BAY COMPANY 31ST JANUARY, 1966

	1966		1965	
	\$	\$	\$	\$
CURRENT ASSETS				
Cash on hand and in bank	2,187,000		5,634,000	
Short term securities at market value	8,499,000		—	
Accounts receivable—customers	17,424,000		15,081,000	
—subsidiaries	2,817,000		2,346,000	
Merchandise inventories (Note 6)	34,362,000		33,270,000	
Northern Stores (Note 7)	7,641,000	72,930,000	7,794,000	64,125,000
TRADE INVESTMENT at cost (Note 5)				
		213,000		213,000
INVESTMENT IN SUBSIDIARIES				
at cost less amounts written off		58,626,000		57,525,000
AMORY				
W. J. KESWICK				
Directors				
		\$131,769,000		\$121,863,000

	1966		1965	
	\$	\$	\$	\$
CURRENT LIABILITIES				
Bank overdrafts	1,419,000		—	
Accounts payable and accrued expenses	22,296,000		14,898,000	
Income taxes payable	2,538,000		3,990,000	
Accounts payable to subsidiaries	342,000		342,000	
Proposed dividends	4,269,000	30,864,000	3,201,000	22,431,000
STAFF RETIREMENT		5,736,000		6,483,000
SHAREHOLDERS' EQUITY				
CAPITAL STOCK:				
Authorized—£15,000,000				
Issued—13,553,428 ordinary shares of £1 each				
	40,659,000		40,659,000	
CAPITAL RESERVE:				
General	14,778,000		14,523,000	
REVENUE RESERVES:				
Earned surplus	39,579,000		37,710,000	
Land account	153,000	95,169,000	57,000	92,949,000
		\$131,769,000		\$121,863,000

Notes on the Accounts

Forming an integral part of the Accounts of Parent and Group

- 1. Exchange** U.K. assets and liabilities have been converted at Can. \$3.00 to the £ and U.S. assets and liabilities at Can. \$1.07 to the U.S. \$1.00.

Average rates of exchange for the year to 31st January, 1966, and the rates on 31st January, 1966 were Can. \$3.01 to the £ and Can. \$1.075 to the U.S. \$1.00.

		<u>1966</u>	<u>1965</u>
2. Bonds and Debentures of Subsidiaries	Hudson's Bay Company Acceptance Limited		
	6 per cent. debentures series "A" due 1980 (secured)	\$10,000,000	\$10,000,000
	5¾ per cent. debentures series "B" due 1983 (secured)	10,000,000	10,000,000
	These debentures are guaranteed by the Parent Company		
	Hudson's Bay Company Properties Limited		
	5¾ per cent. first mortgage bonds series "A" due 1990 (secured)	15,000,000	—
	Henry Morgan & Co. Limited		
	4¾ per cent. sinking fund debentures due 1976 (unsecured)	1,985,000	2,315,000
	Henry Morgan Properties Limited		
	3¼ per cent. first mortgage sinking fund bonds due 1967	734,000	962,000
	These bonds are guaranteed by Henry Morgan & Co. Limited		
		<u>\$37,719,000</u>	<u>\$23,277,000</u>

- 3. Taxation** The Company has retained income tax on the interim dividend paid in November 1965, but will be liable to pay \$1,761,000 income tax to the Inland Revenue on the proposed final dividend payable in May 1966.

The Company expects to receive overspill relief under Section 84 of the Finance Act, 1965, and assuming a corporation tax rate of 40 per cent. the relief for the tax year 1966/67 is estimated to be approximately \$2,070,000 of which \$1,110,000 has been taken into the current year's accounts. Payment however cannot be claimed until April 1967.

No provision has been made for taxation which would arise if profits remaining in subsidiaries were distributed.

4. Fixed Assets	Fixed assets comprise the following:	Land &	Equipment &	
		Buildings	Transport	Total
	Cost	\$100,608,000	\$24,708,000	\$125,316,000
	Accumulated depreciation	39,072,000	14,403,000	53,475,000
	Net book value	<u>\$ 61,536,000</u>	<u>\$10,305,000</u>	<u>\$ 71,841,000</u>

Movements during the year were:	Land & Buildings	Equipment & Transport	Total
Net book value at 31st January, 1965	\$54,117,000	\$ 9,978,000	\$64,095,000
Additions	9,519,000	3,630,000	13,149,000
Disposals	(165,000)	(72,000)	(237,000)
Depreciation	(1,935,000)	(3,231,000)	(5,166,000)
Net book value at 31st January, 1966	\$61,536,000	\$10,305,000	\$71,841,000

Hudson's Bay Company Investments Limited, a wholly owned subsidiary, holds 4,008,656 shares (21.9 per cent.) of the total issued capital of 18,294,044 shares of Hudson's Bay Oil and Gas Company Limited. Other shares are held by Continental Oil Company (65.7 per cent) and by the general public (12.4 per cent). The market quotation at 31st January, 1966, on the Toronto Stock Exchange was \$18.50 per share.

The other trade investment consists of 450,000 ordinary shares (16.6 per cent. of the total ordinary issued capital) held by the parent company in Hill Thomson & Company Limited. The market quotation at 31st January, 1966, on the London Stock Exchange was 19/6d. per share.

Merchandise has been valued at the lower of cost or net realisable value.

The amount in the Balance Sheet, Northern Stores \$7,641,000, represents net current assets (mainly merchandise) at 30th September, 1965, less net transactions from 1st October, 1965 to 31st January, 1966, for the stores whose financial year ended on 30th September, 1965.

In prior years expenditures on buildings and equipment at remote Northern Stores were charged against profits when incurred. Arising from a change in treatment for tax purposes, expenditures subsequent to 31st January, 1965, are being capitalized. The effect of this change on the profits for the year is not material.

All buildings, equipment and transport have been depreciated on the straight line method at rates that will fully depreciate the assets over their estimated useful life.

	1966	1965
Fees	\$ 39,000	\$ 36,000
Other emoluments	276,000	222,000
Pensions	51,000	51,000
	<u>\$366,000</u>	<u>\$309,000</u>

The increase in the Capital Reserve of the parent company arises from a transfer from the Capital Reserve of a subsidiary company.

Contracts for capital expenditure at 31st January, 1966, were Parent \$ Nil (\$ Nil), Subsidiaries \$5,823,000 (\$8,016,000).

As required by the London Stock Exchange the Company states that it is not a close company under the provisions of the Finance Act, 1965.

Comparative Summary

Sterling
(in thousands of £)

YEARS ENDED 31ST JANUARY

	1966	1965	1964	1963
Sales	123,537	115,794	108,611	102,928
Profit before taxes	7,719	7,006	6,791	6,423
Taxation on profits	3,616	3,247	3,215	3,061
Net profit	4,103	3,759	3,576	3,362
Land surplus	32	37	42	121
Total	4,135	3,796	3,618	3,483
Cost of dividends	2,140	1,651	1,583	1,500
Depreciation	1,722	1,705	1,801	1,665
Fixed assets	27,383	24,801	24,022	22,422
Net current assets	31,559	26,972	25,745	22,117
Total assets	58,942	51,773	49,767	44,539

Canadian Dollars
(in thousands of \$)

YEARS ENDED 31ST JANUARY

	1966	1965	1964	1963
Sales	370,611	347,382	325,833	308,784
Profit before taxes	23,157	21,018	20,373	19,269
Taxation on profits	10,848	9,741	9,645	9,183
Net profit	12,309	11,277	10,728	10,086
Land surplus	96	111	126	363
Total	12,405	11,388	10,854	10,449
Cost of dividends	6,420	4,953	4,749	4,500
Depreciation	5,166	5,115	5,403	4,995
Fixed assets	82,149	74,403	72,066	67,266
Net current assets	94,677	80,916	77,235	66,351
Total assets	176,826	155,319	149,301	133,617

Since over 90% of the net assets and earnings of the Company are in Canada, the Comparative Summary is also shown in Canadian dollars. For

The figures of Sales in these summaries exclude furs sold on consignment.

1962	1961	1960	1959	1958	1957
105,145	88,032	79,891	76,586	72,397	69,360
6,113	5,229	4,952	4,896	4,329	4,024
2,937	2,629	2,457	2,259	2,017	2,115
3,176	2,600	2,495	2,637	2,312	1,909
200	61	92	116	104	97
3,376	2,661	2,587	2,753	2,416	2,006
1,334	1,166	1,104	1,209	785	624
1,793	1,474	1,323	1,204	1,162	1,055
24,723	24,703	21,112	19,513	18,865	16,290
22,228	16,407	10,200	10,655	9,924	11,223
46,951	41,110	31,312	30,168	28,789	27,513

1962	1961	1960	1959	1958	1957
294,406	246,490	223,695	214,441	202,712	194,208
17,117	14,641	13,866	13,709	12,121	11,267
8,224	7,361	6,880	6,325	5,647	5,922
8,893	7,280	6,986	7,384	6,474	5,345
560	171	258	327	291	271
9,453	7,451	7,244	7,711	6,765	5,616
3,735	3,266	3,091	3,385	2,198	1,747
5,020	4,127	3,704	3,371	3,254	2,954
69,225	69,168	59,114	54,636	52,822	45,612
62,238	45,940	28,560	29,834	27,787	31,424
31,463	115,108	87,674	84,470	80,609	77,036

purpose sterling and U.S. dollars have been converted to Canadian dollars at the rate of exchange adopted in the accounts of the individual years.

Subsidiary Companies

(WHOLLY OWNED)

Canada

HENRY MORGAN & CO. LIMITED

Operates eleven stores in Eastern Canada

HENRY MORGAN PROPERTIES LIMITED

Property owning company

HUDSON'S BAY COMPANY ACCEPTANCE LIMITED

Purchases deferred payment accounts

HUDSON'S BAY COMPANY INVESTMENTS LIMITED

Investment holding company

HUDSON'S BAY COMPANY PROPERTIES LIMITED

Property owning company

RUPERT'S LAND TRADING COMPANY

Property owning company

RUPERT'S LAND TRADING COMPANY (QUEBEC) LTD.

Property owning company

SCALES & ROBERTS LIMITED

Wholesale distributors

THE H. FORTIER COMPANY LIMITED

Wholesale distributors

United States of America

HUDSON'S BAY COMPANY INC.

Wholesale distributors of HBC "Point" Blankets, whiskies and rums

HUDSON'S BAY COMPANY FUR SALES INCORPORATED

Fur brokers

United Kingdom

BEAVER HOUSE LIMITED

Property owning company

HUDSON'S BAY COMPANY FUR SALES LTD.

Fur brokers

HUDSON'S BAY COMPANY OF SCOTLAND LTD.

Wholesale distributors of HBC whiskies and rums

HUDSON'S BAY RECORD SOCIETY LTD.

Publishers of archives of Hudson's Bay Company

HEAD OFFICE

Beaver House, Great Trinity Lane, LONDON E.C.4, England

REGISTRAR

Glyn, Mills & Co., 67 Lombard Street, LONDON E.C.3, England

HEAD OFFICE FOR CANADA

Hudson's Bay House, 79 Main Street, WINNIPEG 1, Manitoba

CANADIAN REGISTRAR

The Royal Trust Company, TORONTO, MONTREAL and WINNIPEG

Operati
North Ar

Operations in North America



